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SUBJECT: FY06 BFIF PROPOSAL - MOROCCO

REF: 05 STATE 189815

¶1. Embassy Rabat seeks to use \$11,000 of Business Facilitation Incentive Funds (BFIF) funding to support the U.S.-Morocco Free Trade Agreement (FTA) that was implemented on January 1, 2006. This funding leverages funding from the American Chamber of Commerce (AmCham) in Morocco. This is the first FTA the USG has in Africa and only the second one with an Arab country. This FTA is one of the first steps in the Middle East Free Trade Area envisioned by the USG. Therefore, it is imperative that the U.S.-Morocco FTA succeed and act as a catalyst for other countries in the region. The USG, through the Department of Commerce, USAID and the Middle East Partnership Initiative (MEPI), has already spent several million dollars to prepare the Moroccan economy for the FTA. Now, we seek to build upon these efforts by linking U.S. and Moroccan businesses to take the final steps toward doing business with each other.

¶2. Post seeks to use BFIF funds, in conjunction with AmCham funding, to bring five trainers from the U.S. to Morocco to teach American and Moroccan companies how to use the provisions in the FTA to their advantage to trade with one another and therefore increase trade between our two countries. The USG funding will pay for the travel and interpretation service expenses of five trainers to come to Morocco to conduct sector-specific training sessions in selected Moroccan cities. This program will be further leveraged by working with the American Chamber of Commerce (AmCham) to help promote these training sessions by using its well-established network of contacts and its own funding for all other expenses including per diem, honoraria for local experts, local transportation and advertising (approximately \$8,300).

¶3. Justification: The proposed sector-specific training sessions will help to support post's MPP goals of increasing trade with and investment in Morocco, reducing unemployment by helping to encourage job creation, and increasing economic growth and development. All of these features also support the goals of the Millennium Challenge Corporation (MCC), which is currently negotiating a compact with the GOM for using USG assistance funds to stimulate economic growth in Morocco and increase human development. Both of these issues are extremely important in combating global terrorism that finds a fertile breeding ground in impoverished lands where people have little hope of a better future.

¶4. Planning milestones: Post and AmCham plan five sector-specific training sessions in the automotive components, agribusiness, chemicals, apparel and pharmaceuticals sectors, which we deem likely to benefit from the FTA. Each trainer will spend approximately one week in Morocco and conduct several training sessions in various cities during that time. Trainers will visit Morocco in the February to

April timeframe to help assure a quick start to FTA-related business activities. AmCham, with input from post, will select the trainers and cities, identify target audiences, arrange local transportation and other logistics, and perform management duties of the program.

¶5. Performance metrics or anticipated outcomes: Increased trade between the U.S. and Morocco. Currently, bi-lateral trade is under \$1 billion per year and relatively balanced. The U.S. accounts for only about 4 percent of Morocco's foreign trade and post's MPP calls for a 10 percent increase in bilateral trade in each of the next four years. In addition to supporting the FTA, the proposed BFIF activities should create domestic American jobs and boost the U.S. economy by raising export levels. A successful FTA should help encourage further economic liberalization in Morocco and reinforce its western orientation and promote global stability.

¶6. Estimated costs: \$11,000. Airfare for each of the five trainers will cost approximately \$1,000 and interpretation services should be about \$6,000.

¶7. Point of Contact: David Schnier, Economic Officer
Tel: (212) 37 762265 ext. 2131
E-mail: schnierdm@state.gov

¶8. Leveraging funding from other DOS bureaus and/or agencies: USAID and MEPI have already spent approximately \$7 million on various projects to support the FTA and increase trade with Morocco in recent years. The proposed BFIF activities reinforce the current USAID programs in support of the FTA. In addition, AmCham will make a significant financial and in-kind contribution to the proposed BFIF activities.

¶9. Project outcome/success criteria: Increased levels of bi-lateral trade and U.S. exports, improved business environment in Morocco, and increased opportunities for American businesses. In addition, the proposed program will help modernization and development of the Moroccan economy, create jobs, raise the standard of living, and help combat terrorism.

¶10. Follow-up strategy: Post is currently planning a business conference targeting the automobile sector in Morocco. We are closely monitoring progress on the Tangier Port facility that could become a major trans-shipment point for goods destined to the European Union. Morocco is likely to secure the largest grant in the MCC program that has economic growth as its primary focus.